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Managing Older Workers: Company Policies and Attitudes

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Economist

A Research Report from The Conference Board

Contents

ABOUT THIS REPORT vi

WHY THIS REPORT ix

I. THE RETIREMENT ISSUE 1
- Delayed Retirement 1
- Mandatory Retirement 3
- Phased Retirement 3
- Early-Retirement Incentives 4
  - Requirements for Unreduced Benefits 4
  - Liberal Early-Retirement Discounts 5
  - Effect of Pension Benefits on Retirement 5
- Older Workers as a Proportion of Total Work Force, by Industry Sector 6
- Benefits for Employees Over 65 8
- Unions and Early Retirement 9
- The Open-Window Issue 10
- The Early-Retirement Incentives Controversy 14
- In-House Pool of Retirees 14

II. MANAGING OLDER EMPLOYEES 16
- Employers' Perceptions of Older Workers 17
  - Differences Among Occupational Groups 18
  - Age of Respondent 18
- The Specter of Age Discrimination Litigation 21
- Programs to Upgrade Job Skills 22
- Shifting to Less Demanding Jobs 26
- Older Workers and the Job Search: Prospects and Obstacles 28
- Impact of Promotion from Within 30
- Job Performance and the Older Worker 31
- Looking Ahead 33

APPENDIX. AGE AND THE U.S. LABOR FORCE 35
Older Men in the Labor Force 36
Older Women in the Labor Force 36
Early-Retirement Trends Among Surveyed Companies 36

Tables

1. Mandatory Retirement, by Size of Work Force and by Industry 3
2. Minimum Age and/or Service Requirement for Unreduced Pension Benefits 5
3. Average Retirement Age and Availability of Early-Retirement Inducements in Pension Plans 6
4. Proportion of Workers Aged 55 or Over, by Industry 8
5. Age and/or Service Requirements for Open-Window Eligibility .. 11
6. Respondents' Perceptions of Older Workers 17
7. Percent of Respondents Judging Perceptions "Valid," by Age of Respondent 19
8. Performance of Older Workers as Viewed by Respondents 32

Charts

1. Average Age at Retirement in 1982, by Size of Company Work Force 7
2. Average Age at Retirement in 1982, by Industry 7
3. Types of Programs to Upgrade Job Skills 23
4. Programs to Upgrade Job Skills, by Work-Force Size 23
5. Likelihood of Older Workers Availing Themselves of Programs to Upgrade Job Skills, by Work-Force Size 25
6. Likelihood of Older Workers Availing Themselves of Programs to Upgrade Job Skills, by Industry 25

Appendix Charts

1. U.S. Labor-Force Participation Rates 35
2. Trend Toward Early Retirement in Past Two Decades, by Trend Toward Early Retirement in Past Five Years 37
3. Average Age at Retirement: 1972, 1977, 1982 37

About This Report

This report is based mainly on the findings of a survey of 363 companies in manufacturing, gas and electric utilities, insurance, banking and retail trade. The survey instruments were two questionnaires (Parts I and II) addressed to senior human-resources executives in each of the companies.

Part I related primarily to company policies that impinge directly or indirectly on older workers. In this part, respondents' attitudes and perceptions regarding older workers were also sought. A breakdown of titles of the executives responding to Part I and their age distribution appear in the first two accompanying tabulations. The third tabulation presents the distribution of responding companies by industry sector and by size of work force.

Part II gathered specific information about retirement ages, various provisions of pension programs, age composition of the work force, and so on. It was requested that Part I be answered by the senior human-resources executive, while Part II could be answered by a staff specialist who had access to the detailed data.

Responses were received from 363 companies for Part I, and from 338 for Part II. A majority of the 25 companies that did not complete and return Part II indicated that much of the information requested was not available, or would be too time-consuming and/or too costly to retrieve.

Job Titles of Respondents to Part I (Company Policies)

Job Titles[1]	Percent of 363 Respondents
Vice President	44%
Director	19
Manager[2]	15
Senior Vice President	9
Assistant Vice President	6
Other[3]	2
Not indicated	5

Age Distribution of Respondents to Part I

Age	Percent of 363 Respondents
Under 45	34%
45–54	37
55–61	24
62 and over	5

Distribution of Responding Companies, by Industry and by Size of Work Force

Industry		Number of Employees	
Manufacturing	48%	Under 1,000	14%
Retail Trade	11	1,000 to 2,999	31
Banks	13	3,000 to 9,999	27
Insurance	14	10,000 to 24,999	16
Utilities	14	25,000 and over	12

[1]The functions to which these titles apply are, in most cases, either "human resources" or "personnel." The others were principally "industrial relations," "employee relations," or "compensation-benefits."

[2]Includes several administrators, officers and supervisors.

[3]Among these are two presidents, a vice chairman of administration, and a secretary-treasurer.

Why This Report

A slowing of the downtrend in labor-force participation rates of people aged 60 or more appears to be happening, based on our research for this study. This change comes after a dramatic quarter-of-a-century decline in such participation.

This report was undertaken mainly to explore whether company policies and practices vis-à-vis older workers are likely to encourage a continuation in the loss of momentum in the early-retirement trend. The information on practices, policies and perceptions of older workers will be helpful to policymakers in the public and private sectors—particularly to those concerned with expanding job opportunities for older workers.

The Conference Board expresses its deep appreciation to The Corporation for Older Americans for the grant that helped to finance this study, and to the more than 350 executives who provided the data reported here.

JAMES T. MILLS
President

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Part I

The Retirement Issue

THE AGING of the U.S. population has focused both private and public-sector attention on the circumstances under which more than a million Americans retire each year. While older Americans comprise a growing proportion of the population, they make up a declining fraction of the U.S. work force.

Should this situation continue, changes in the ways that the business community thinks about and manages older workers seem likely. Human-resources administrators, as well as public-policy architects, will have to take a closer look at such basic questions as: How can the quality of work be improved to help retain older workers? What motivates workers to retire early? Should companies discourage early retirement? What long-term impacts, in terms of the availability of key technical and managerial skills, will early retirements pose? Which perceptions of older workers are simply myths or folklore and which are based on actual experience?

For human-resources administrators, program issues such as phased retirement programs, the use of innovative workplace practices, the pros and cons of ad hoc early-retirement incentives, and the impact of pension-plan design on the retirement decision will become even more important considerations in maintaining a vital and competent work force.

By drawing on the experience of more than 350 companies, The Conference Board has focused its attention not only on the early retirement trend itself but on company attitudes and policies toward older workers.

Delayed Retirement

Only 4 percent of the respondents indicated they had offered any of their employees an incentive to discourage retirement before age 65. Only half of these offers occurred in 1982 or 1983; the remainder took place between 1971 and 1981. For four-fifths of those who did offer such incentives, the impetus was the retention of two classes of employees—those with scarce skills that were needed and those with high performance records. While a few of these same firms mentioned one of these classes, the majority mentioned both. The reason given by the remaining fifth was a desire to prevent too large an exodus of older workers in a given time period.

Moreover, inducements to persuade employees to stay on until at least 65 were generally extended on an individual basis and ordinarily involved very small numbers of people. The principal incentive was usually a pay increase or a bonus—or both—but other incentives were also used. For example:

- *"Special promotions for a specified time—usually the duration of a project."*

—an airframe producer

- *"Individually negotiated arrangements—usually a pay increase or pay plus pension. In addition, we try to make any special arrangement that an employee requests, if it is reasonable, such as reduction in hours."*

—a financial services firm

- *"An insurance plan that becomes paid up whole life at age 65 with a value equal to two times annual salary and with the option of having the face amount paid as an annuity over a ten-year period after age 65."*

—a retailing chain

- *"Pay increase and bonuses—the mere expression of continued need for their skills is highly reinforcing of work motivation."*

—a consumer products manufacturer

Those companies that had not made any effort to discourage retirement before age 65 were asked whether they could "foresee such an effort within the next three years." The vast majority (84 percent) said "no"; fewer than 2 percent answered "yes" and the remainder said "perhaps".

Incentives to encourage workers to postpone retirement *beyond* age 65 are also rare—available in only 3 percent of the surveyed firms. These incentives were also usually extended to specific employees rather than to an entire group. Examples of those targeted include:

- *"Someone with a crucial design capability was offered a considerable pay increase, and skilled machine operators were given hourly pay supplements for both production operations and for training younger operators. These cases are not numerous."*

—a furniture producer

- *"Increased pension benefits were provided for a very few highly placed people. Our plan does not provide for accrual of benefits after 65. A private contract was made to pay the difference out of other company funds."*

—a utilities company

- *"Some persons receive both pension benefits and regular salary while working."*

—a multinational conglomerate

Mandatory Retirement

Three-fifths of the companies surveyed have mandatory retirement at age 70; but 40 percent of these respondents indicated that there were exceptions to this policy. The exceptions fall mainly into two categories:

(1) Mandatory retirement did not apply to employees in those states that have eliminated mandatory retirement entirely—there were 20 such states in mid-1984.

(2) Mandatory retirement was at age 65 for those executives with lifetime pensions of at least $27,000 annually. (The 1978 Amendments to the Age Discrimination in Employment Act permit mandatory retirement at age 65 for that classification of employees.)

In addition, a number of respondents indicated that the age limit was sometimes waived on an individual basis.

Although mandatory retirement has been rescinded entirely in many large companies, it is still more prevalent among the largest firms (those with 25,000 or more employees) where 79 percent of the companies had mandatory retirement (see Table 1). The table also shows mandatory retirement was most common in utilities and least common in retail trade.

Phased Retirement

Despite generally enthusiastic reports from those who participate in such a program—and despite its being touted by gerontologists and a number of human-resources executives as an idea whose time has come—phased retirement is still relatively rare: It is not available in 97 percent of the companies studied.

Only 1 percent have what may be regarded as a formal phased-retirement program. The respondent for a large manufacturer of capital equipment wrote: "We

---

Table 1: Mandatory Retirement, by Size of Work Force and by Industry

Number of Employees	*Percent of Companies with Mandatory Retirement*
Under 1,000	60
1,000 to 2,999	54
3,000 to 9,999	63
10,000 to 24,999	59
25,000 or more	79
Industry	
Manufacturing	61
Retail trade	38
Banks	48
Insurance	70
Utilities	80

have a partial work-partial retirement program, available on a one year, mutually agreed-to, contract basis." Another organization, a large bank, indicated that phased retirement was limited to a small, select group of company officers—"key V.P.'s and above who are over 58."

The remaining 2 percent reported that "tapered" retirement could be arranged informally at the request of the employee and with the approval of management. A typical description of such a practice comes from a retail firm: "By request and mutual agreement; not a true program but something we do in a very informal way." Another comment, made by a few companies, was that requests for reduction in hours were often granted—not only to persons approaching retirement but to younger persons as well.

Arrangements for phased retirement—formal or informal—were more likely to be available to employees in retail trade than in the other industrial groups. This may reflect, in large measure, the nature of the retailing business where part-time work is more prevalent.

Early-Retirement Incentives

The pension plans of the majority of responding corporations (62 percent) contain early-retirement inducements.[1] Some 28 percent of the companies have plans that provide *both* unreduced pension benefits before age 65 *and* an early retirement discount that is more liberal than the standard actuarial reduction.[2] In addition, 21 percent of the companies provide only unreduced early retirement benefits while another 13 percent provide only a liberal early retirement discount. The pension plans of 38 percent of the responding firms had no special early retirement inducements.

Requirements for Unreduced Benefits

While the age and/or service requirements to qualify for unreduced pension benefits vary widely, a few broad patterns can be discerned. First: In nearly three-fourths of the firms, in order to be eligible for unreduced benefits, the worker has to fulfill both an age *and* a service requirement. Second: While the specific age and service requirements show wide variations, a minimum age of 62, with at least 10 years of service, is more prevalent than any other single combination of requirements—in effect in 35 companies, or one-fifth of the companies offering unreduced pension benefits (Table 2). Third: Where a minimum age is the sole qualification, 62 is by far the most common age.

[1]Fewer than 3 percent of the companies in the survey did not have pension plans.

[2]Unreduced pension benefits before age 65 means that the individual receives fully accrued benefits that are not reduced to account for the expected longer period of payment. An early retirement discount, while more generous than the standard actuarial reduction, is not as generous as unreduced benefits.

Table 2: Minimum Age and/or Service Requirement for Unreduced Pension Benefits

Age Requirement Only	*Number of Companies*
Age 61	1
Age 62	21
Age 63	1
Service Requirement Only	
10 years	1
30 years	5
40 years	1
Minimum Age OR Minimum Service	
Age 57 or 30 years service	1
Age 60 or 30 years service	1
Age 62 or 30 years service	4
Minimum Age of 55 with Minimum Service of:	
5 years	1
10 years	7
15 years	4
20 years	2
28 years	1
30 years	3
Minimum Age of 58 with . . .	
28 years service	2
Minimum Age of 60 with Minimum Service of:	
1 year	1
10 years	11
15 years	4
20 years	2
25 years	1
30 years	6
33, 36, 40 years	1 each
Minimum Age of 61 with . . .	
1 year service	1
Minimum Age of 62 with Minimum Service of:	
2 years	1
5 years	5
6 years	1
10 years	35
13 years	1
15 years	10
20 years	8
23 years	1
25 years	2
30 years	9
Minimum Age 63 with . . .	
10 years service	1
Age Plus Service Equals . . .	
70 years	1
80 years	4
85 years	4
90 years	2

Liberal Early-Retirement Discounts

The overwhelming majority (93 percent) of the plans that offer an early-retirement discount more liberal than an actuarial reduction specify the age at which such a discount becomes available. The others indicated that the discount is available either at a specified age *or* after a specified length of service. Far and away the most common age at which discounts become available is 55—the age reported by 92 percent of the affected companies. For most of the remaining firms, the age most frequently cited was either 60 or 50.

Effect of Pension Benefits on Retirement

Since financial security is a crucial consideration in an individual's retirement decision, it is not surprising that employees in companies that provide attractive early-retirement benefits tend to retire earlier than those in companies without

Table 3: Average Retirement Age and Availability of Early-Retirement Inducements in Pension Plans

Average Retirement Age	*Firms with Unreduced Benefits **and** Liberal Early-Retirement Discount*	*Firms with **Either** Unreduced Benefits **or** Liberal Early-Retirement Discount*	*Neither*
	Percent of companies		
Under 62	43%	26%	10%
62	37	30	14
63 or 64	18	35	48
65 or older	2	9	28
	100%	100%	100%

such incentives. For example, in firms where *both* unreduced pension benefits before age 65 and a liberal early-retirement discount are available, the average age at retirement in 1982 was 62 or under for 80 percent of the companies—and 65 or over for only 2 percent (Table 3). Among those companies that had *either* unreduced pension benefits before 65 or more liberal early-retirement discounts than the standard actuarial reduction, 56 percent had an average retirement age of 62 or under, and for 9 percent it was 65 or later. Among those companies that had neither early-retirement inducement, only 24 percent had an average retirement age of 62 or under and 28 percent at 65 or later.

Retirement age tends to correspond inversely to size of the firm's work force—the larger the work force, the lower the average retirement age is likely to be. An average retirement age of under 62 in 1982 was reported by over half of the firms with 25,000 or more employees—compared with below one-fourth of the firms with fewer than 3,000 employees (Chart 1). On the other hand, only 5 percent of the companies with 25,000 or more employees had an average retirement age of at least 65 compared with slightly more than one-fourth of those with fewer than 3,000 employees.

The incidence of pension plans that provide tempting early-retirement inducements displays industry patterns: Such plans are much more widespread in gas and electric utilities and, to a lesser extent, in manufacturing than in retail trade, banks and insurance companies. These variations, in turn, are reflected in corresponding differences in average retirement age in the various industry groups. Very early retirement (defined as under 62) and early retirement (defined as 62 to 64) are most common among the utilities and least common in retail trade (Chart 2).

Older Workers as a Proportion of Total Work Force, by Industry Sector

The proportion of workers aged 65 or older tends to be relatively low in industries with high early-retirement rates. Employees aged 65 or over comprised less

Chart 1

Average Age at Retirement in 1982, by Size of Company Work Force

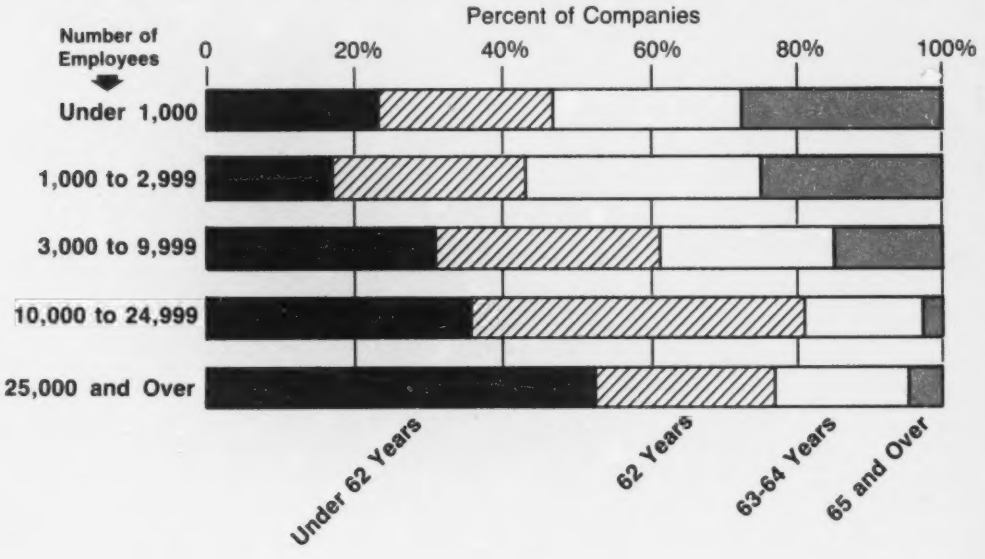

Chart 2

Average Age at Retirement in 1982, by Industry

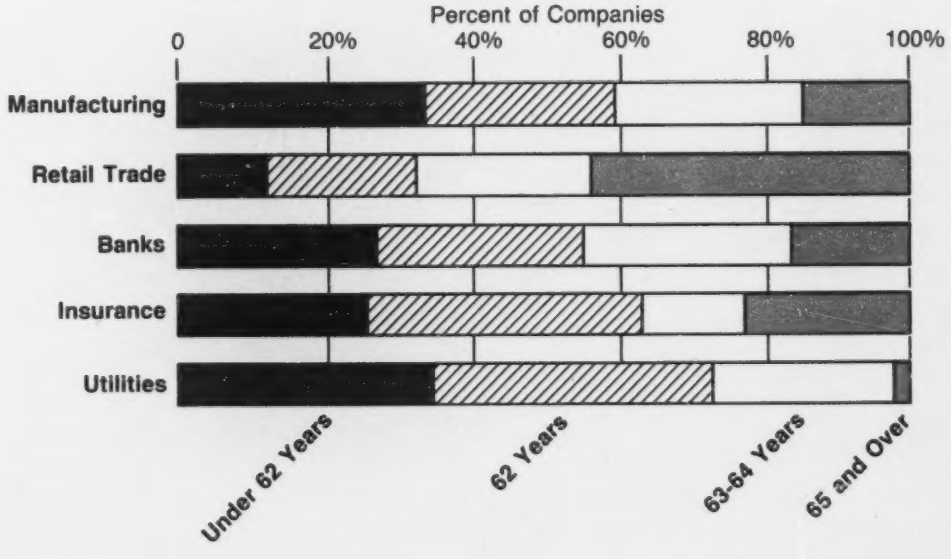

Table 4: Proportion of Workers Aged 55 or Over, by Industry

Percent of Work Force Aged 55–64	*Manufacturing*	*Retail Trade*	*Banks*	*Insurance*	*Utilities*
			Percent of companies		
Less than 10%	17	25	55	39	18
10–14%	36	35	21	26	34
15–19%	25	10	15	16	32
20–32%	22	30	9	19	16
	100%	100%	100%	100%	100%
Number of companies:	103	20	33	31	44
Percent of Work Force Aged 65 and Older					
Less than 0.3%	20	18	30	26	62
0.3 to 0.6%	31	9	9	32	29
0.7 to 1.0%	34	23	31	16	9
1.1% to 8.0%	15	50	30	26	0
	100%	100%	100%	100%	100%
Number of companies:	109	22	33	31	45

than 0.3 percent of the work force in three-fifths of the utilities but in only one-fifth of the retail firms (Table 4). Conversely, as many as 15% of the retailers reported between 1.1 and 8.0 percent of their work force was aged 65 or over. For none of the utilities did the 65-and-over group represent more than 1 percent of total employment. Retail trade also had the largest proportion of companies where employees aged 55-64 comprised at least a fifth of the work force (Table 4).

Benefits for Employees Over 65

The most common treatment of pensions for employees who postpone retirement beyond their 65th birthday is to freeze benefits at the level reached at age 65 (see box on page 9). This was the practice in half of the firms surveyed. However, one in four actually increased benefits to reflect both additional years of service and salary increases after the 65th birthday. Beyond these two primary practices, three other plans were used by the firms studied:

- actuarial increases in benefits after employee's 65th birthday[3]
- increases in benefits reflecting additional years of service
- increases in benefits reflecting salary increases after a 65th birthday.

[3]The lifetime yield of benefits that are actuarially increased is the equivalent of the lifetime yield of benefits that would have been received at age 65.

In June, 1984, the Commissioners of the Equal Employment Opportunity Commission—which now has jurisdiction over the Age Discrimination in Employment Act—voted to rescind the regulation that allows employers to freeze pension benefits at age 65 for those workers who work beyond that age. Their new proposal—that employers be required to continue pension accruals beyond an employee's normal retirement age (usually 65)—has to appear for public comment in the *Federal Register*. The process of public comment and related procedures may take several months. A final decision on whether the new proposal will become law is expected toward the end of 1984.

Finally, fewer than two dozen companies had pension plans that did not fall into any of the above categories. Among these "miscellaneous" responses, the most frequently mentioned was that while benefits were frozen at age 65, certain kinds of compensation increments were provided. The increment specified in the plans of each of these companies was one of three types: (1) the employee receives all interest that accrues between age 65 and retirement; (2) any cost-of-living adjustments granted to retirees during the period between the employee's 65th birthday and retirement are applied to his or her pension benefits; or, (3) pension benefits are raised to reflect any improvements in the formula used to calculate benefits that may have occurred between employee's 65th birthday and retirement.

A few companies indicated that benefits are frozen at age 65 for nonunion employees but increase with additional years of service for unionized employees. One company reported that actuarial increases applied only to the employee-funded portion of the pension benefit. Still other respondents indicated that benefits were frozen at an age *beyond* 65—at one company it was 67, at another it was 68, and at still another it was age 70. Finally, two companies said that employees who work beyond age 65 draw full pension benefits *and* salary. Another noted that employees may choose between having benefits actuarially increased or initiating

Three percent of the firms studied had no pension plans. However, several of these volunteered the information that they had profit-sharing plans. Two of them commented further that employees continue to participate in their plans regardless of age.

Unions and Early Retirement

As shown earlier, there is still little impetus in the corporate community to persuade more workers to stay on until age 65 or later. Most unions also apparently show little inclination to press for incentives to make remaining in the labor force until at least age 65 more attractive than early retirement.

The executives were asked to characterize their firms' unions' position on early retirement. The questionnaire listed five choices, including "does not apply" for those companies that have no union or where unionized employees comprise a very small proportion of the work force.

After excluding the 40 percent of all respondents who indicated that the question did not apply, the majority of the remaining firms replied that the union (or unions) was "neutral" on this issue. However, a third of the firms described the union's position as one of "encouraging" early retirement. The manager of industrial relations at a utilities company indicated that, at the behest of the union, his company had liberalized its retirement plan so that it provided unreduced pension benefits—no actuarial reduction—starting at age 62. He commented further: "The union says its membership is intensely interested in early retirement."

Only 4 percent of the companies characterized the unions as "discouraging" early retirement. Responses from the remaining companies indicated that attitudes on this issue vary among unions (from firms whose unionized employees were represented by more than one union).

The Open-Window Issue

Besides the two types of early-retirement incentives which are an integral part of a company's pension plan, discussed above, another mechanism used to encourage older employees to retire is the "open-window" offer. This refers to the practice of extending—for a defined duration—the option of accepting a financial incentive for early retirement beyond any early-retirement benefits already incorporated in the company's pension plan to a group of workers who satisfy specified minimum age and/or service requirements.

Such financial incentives for early retirement have been offered at least once since 1970 by 36 percent of the companies in this Conference Board study. Nearly four out of ten of the latter companies had made more than one such offer since 1970. Three-fourths of the most recent—or only—offers were made in 1982 or 1983.

The bonus payment (either a lump sum or a specified payment over a specified period of time) was the most widely used incentive—54 percent of the corporations that had made open-window offers used this method. Pension benefits that were more liberal than those already available through the early-retirement provisions of the company's pension plan were offered by 14 percent of the companies, while 32 percent offered both—a bonus payment *and* special ad hoc pension benefits.

More than half (56 percent) of those firms that tendered "open windows," reported that the duration of the offer ranged between two and three months. A quarter said it lasted four to six months, 16 percent said it was in effect for one month to six weeks, and only 3 percent continued the offer for seven months to a year.

Qualification for over four-fifths of these special, ad hoc financial incentives for early retirement specified both minimum age and service requirements. But the combinations of these requirements varied widely among the companies examined (Table 5). A few of the companies with age and service requisites also

Table 5: Age and/or Service Requirements for Open-Window Eligibility

Minimum Age	AND	Minimum Years of Service											Minimum Age Only
		5	7	10	12	14	15	17	20	21	25	30	
		Percent of companies[1]											
50–55		2	—	30	—	1	8	1	10	1	4	—	11
56–59		2	1	8	—	—	3	—	—	—	—	—	4
60–64		—	—	15	1	—	4	—	5	—	1	1	2

[1]Percents are based on total number of companies offering open windows. Sum of percentages exceed 100 percent since some companies had more than one set of qualifications.

made the window available to those persons whose combined age and years of service totaled a specified minimum number of years—for example, age plus years of service must equal at least 80. Most of the remaining firms that had open windows specified age requirements only—with a minimum age of 55 the most common. Two companies had only a minimum service requirement of 25 years.

The questionnaire attempted to elicit the reasons for initiating a financial incentive for early retirement. The responses of the companies that had made such an offer are indicated below. (Percentages total more than 100 percent since some respondents offered more than one reason.)

Cut costs by reducing the work force without resorting to involuntary layoffs ..... 80 percent
Improve opportunities for promotion ..... 24 percent
Reduce costs by replacing higher-paid employees with lower-paid employees ..... 14 percent
Miscellaneous ..... 7 percent

Among the "miscellaneous" reasons were: "to facilitate implementation of a major reorganization," "to solve serious workload imbalances," and "to help out a few long-term employees with medical problems who wanted to retire but needed some additional financial assistance."

It is clear from the responses that the most pervasive impetus for instituting an open window is the need to cut staff in a way that would either eliminate, or substantially reduce, involuntary layoffs.

Sixty percent of the firms making open-window offers report the program was fully successful in achieving its intended objectives, while 38 percent said it was partially successful. Only 2 percent found it not successful. Executives

Open Window—Heartless or Humane?

When a company has to cut back its work force for any reason—elimination of a product line, merger, automation, slack business, and so forth—it is faced with hard decisions about how best to accomplish this. Two important components of this decision, are: (1) which course is in the best interests of the company; and, (2) which method will cause the least hardship to its employees. Obviously, the answer is not the same for all companies facing the imperative of a personnel cutback. While curtailing the work force is always a painful and difficult task, apparently many employers have concluded that the "open window" offer is, on balance, preferable to involuntary layoffs.

Judging by the substantial proportion of eligible employees who usually accept the offer, retirement "sweeteners" are generally welcomed by many of the affected workers. In the Conference Board survey, at least half of those eligible accepted an ad hoc financial offer for early retirement in two-thirds of the companies that had made such an offer. In one-quarter of those companies, at least three-fourths of the eligible employees chose the open window.

Several respondents volunteered the information that acceptances were highly correlated with length of service. For example, if minimum eligibility for a financial incentive for early retirement was age 60 with 10 years of service, the acceptance rate for those with 20 or more years of service tended to be markedly higher than for those with 10 or 12 years of service. The explanation is readily apparent—pension benefits are considerably higher for the former group.

There seems little question that many older workers welcome the opportunity to accept a financial incentive for early retirement. The experience of an insurance company, as related by its vice president of human resources, probably reflects a sentiment that is shared by large numbers of older workers. The company, which has been in existence about 40 years and has never had mandatory retirement, has been an ardent advocate of hiring and retaining older

who had indicated that the offer was *not fully* successful were asked to choose one or more of the following six explanations[4]:

Too many employees opted for early retirement	10 percent
Too few employees opted for early retirement	43 percent
Too many high-performance employees opted for early	19 percent
Too few low-performance employees opted for it	29 percent
It proved to be much more costly than had been estimated	10 percent

[4]Percentages total more than 100 percent since some respondents who judged the open window to be less than fully successful offered more than one explanation.

workers—not only in their 60's, but in their 70's and older as well. When a sizable reduction in staff became necessary in the early 1980's, the "open window" approach was not even a consideration.

While management was contemplating terminations based on measures of seniority and quality of performance, many of the company's older employees, as they became aware of the situation, came to management with a recommendation: They suggested that they be given the opportunity to change places with younger colleagues who were going to be laid off. Since the laid-off employees would get severance pay, the older employees said they would welcome the option to retire with a financial sweetener, in the form of severance pay, added to their pension benefits.

In response to these overtures, the company decided to make available the option of severance pay to any employee who wanted to retire or leave for any other reason—such as family responsibilities or in order to resume a full-time education. Since length of service, in addition to salary, determined the size of the severance package, many long-term employees received quite sizable amounts of money. This allowed a substantial number of people, for some of whom it might not have otherwise been financially feasible, to retire—or to leave the work force for any other reason. The majority of the individuals who volunteered for the severance-pay option ranged in age from their mid-50's to mid-70's. As a consequence of this policy, many of the firm's employees who might otherwise have been discharged were able to keep their jobs—while others who wanted to leave were able to do so with the cushion of a cash windfall. A crucial attribute of the open window is, of course, management's message that the choice be completely voluntary—so that the affected employees feel equally comfortable to accept or reject the offer.

Where the outcome of the financial offer for early retirement was evaluated as less than completely successful, the leading explanation was that *too few* employees accepted the offer. In addition, two firms indicated that the offer had just gone into effect and it was too soon to judge its results. One manager said that those who were eligible but did not opt for the open window "may become apprehensive and feel unwanted." If the open window is perceived as a strictly voluntary choice, those among the eligible who elect not to retire probably will not feel threatened or that they are overstaying their welcome.

In addition to open windows, 24 companies volunteered the information that an early-retirement incentive—in the form of a lump-sum payment or more liberal benefits than those provided for in the retirement plan, or both—was offered on an individual basis to specific older employees who were "unproductive." Four representative reasons for the individual approach are:

- *"It is a graceful method of separating unproductive employees."*

- *"On an individual basis we have made supplementary payments for limited periods of time to encourage long-term employees who are performance problems to elect early retirement."*
- *"Certain identified poor performers were offered incentives to retire early. This was done periodically on an individual, noncoercive basis and not as part of a formal program."*
- *"We used it to clear out some marginal performers."*

Firms that had offered open windows were more likely to have pension plans that provided liberalized early-retirement benefits. For example, 39 percent of the companies that had tendered ad hoc financial packages for early retirement also had pension plans that made available both unreduced early-retirement benefits (for employees who met the age and/or service requirements) and early-retirement benefits that were more liberal than the standard actuarial reduction. An additional 34 percent had plans that offered either one of the two early-retirement options, but not both. Thus, among the firms that had extended open-window offers, 73 percent had liberal early-retirement benefits embodied in their pension plans compared with 27 percent of the companies that had no early-retirement provisions in their pension plans.

The Early-Retirement Incentives Controversy

Some critics of the early-retirement trend, in their enthusiasm for reversing that trend, inveigh against early-retirement incentives. Evidently, they consider any legislation or personnel practice that enhances early retirement as an obstacle to the continued employment of older workers. Such a stance may be a distortion.

Early-retirement incentives—whether built into the pension plan or in the form of open windows—can hardly be considered *impediments* to the continued employment of older workers. Of course, coercion—either overt and explicit or covert and subtle—is another matter. But barring coercion, a special financial package for early retirement, rather than harming or depriving older workers, may serve their interests. It can make retirement feasible for many who want to quit the work force but who may not otherwise be able to afford to do so. In brief, what distinguishes early-retirement incentives from employment impediments is that the former expands options of older employees while the latter shrinks them.

In-House Pool of Retirees

Nearly a third of the companies had in-house pools of retirees from which they could draw additional employees, as needed, for temporary part-time or full-time assignments. One-tenth indicated that they did not yet have such a pool but that there was a good chance they would within the next three years. Over half had no such arrangement, nor did they think it likely that they would in the next few years.

The prevalence of such a pool of retired former employees is apparently not related to the size of a company's work force—firms with fewer than 1,000 employees are as likely to have a job bank for retirees as are firms with 25,000

or more. However, such arrangements are far more common in some industries than others. Slightly more than half of the insurance companies and nearly half of the banks had pools of retirees. But they were less prevalent in retail trade (31 percent), manufacturing (27 percent), and utilities (21 percent).

Those executives whose companies used retirees for temporary jobs were asked to describe the advantages and disadvantages of this practice. The vast majority listed at least one advantage and many cited two or more. Only a third mentioned any disadvantages. Below are several examples of the advantages and disadvantages noted.

Advantages:

- *"Our retirees need little or no training and are familiar with company operations and company personnel."*
- *"Their skills fit our specific needs that may be difficult to find elsewhere."*
- *"Less expensive than using temporary help agencies since there are no recruiting costs."*
- *"They are a known quantity—we know each retiree's track record and abilities."*
- *"Loyalty to company."*
- *"They raise morale by showing positive attitude toward employer."*
- *"They are usually available when needed."* (There are two views of availability, as indicated below.)
- *"It is good for the retirees—it assists them in maintaining financial security during retirement."*

Disadvantages:

- *"They are not always available when needed; they are so busy with their own lives, it's often difficult to schedule them."*
- *"Hours of employment are limited because of potential suspension of pension and social-security benefits."*
- *"It limits our hiring the unemployed."*
- *"May have to pay them higher wage rates because of level of experience."*

Part II

Managing Older Employees

THE ISSUE OF older employees in the work force and what special considerations—if any—they should receive is one that vexes many employers. Managers have to examine their own attitudes towards older employees, the perceptions of older employees about themselves, and the firm's policies (official or otherwise) toward older workers' employment when they deal with this issue.

In recent years, increasing attention on the part of policymakers in government, industry and trade unions has been directed toward "older workers." Among the many issues focused on are the declining labor-force participation rates of older workers, the sharply rising outlays for social-security retired-worker benefits, and the problems older workers encounter at the workplace and in the labor market when looking for a new job.

This attention has generated much research, but change has been slow in coming. For example, a substantial body of information now exists on innovative programs that offer older workers greater flexibility in work arrangements, training for new types of work, job redesign, upgrading skills to prevent obsolescence, and other mechanisms that enhance either the value of older workers to their organizations, or the satisfaction older workers derive from their work, or both. However, innovative programs for older workers are still more likely to be an anomaly than a widespread phenomenon.

Some workplace problems associated with older workers may not be limited to them. Where that is the case, an approach directed to the problem, rather than to a specific group of workers, may be more effective and less divisive. For example, there exists a strong unsatisfied demand for more flexible work schedules—whether it be for part-time work, job sharing, extended vacations, sabbaticals, or other nontraditional arrangements. Since interest in these alternatives has been expressed by a broad spectrum of individuals—young people who are going to school, mothers of young children, many middle-aged people as well as older ones—would it be more efficient to provide greater flexibility in work schedules, wherever feasible, that would be available to workers regardless of age?

Some executives claim that fair, age-neutral personnel policies and practices probably benefit all employees. Their position is that a company whose human-resources policies place strong emphasis on providing opportunities for employees

Table 6: Respondents' Perceptions of Older Workers

Compared With Younger Workers, Older Workers:	*Managers, Professionals and Technicians*		*Other White-Collar Workers*		*Blue-Collar Workers*	
	VALID	*NOT VALID*	*VALID*	*NOT VALID*	*VALID*	*NOT VALID*
Tend to be less flexible and more resistant to change	51%	49%	61%	39%	69%	31%
Are more conscientious	69	31	70	30	67	33
Tend to be less productive	5	95	9	91	20	80
Tend to have greater loyalty to company	89	11	88	12	85	15
Tend to be less creative	25	75	37	63	39	61
Have fewer accidents	60	40	60	40	62	38
Are less likely to keep up with new developments in their fields	28	72	50	50	57	43
Have better job morale	55	45	50	50	52	48
Take longer to train	20	80	28	72	30	70
Have lower turnover rates	92	8	94	6	93	7
Tend to be more difficult to supervise	19	81	20	80	20	80
Have better judgment	64	36	59	41	63	37
Have more absences	5	95	7	93	10	90

to develop new and better skills and to enhance work satisfaction, whatever their age, is far less likely to indulge in discriminatory practices toward the older worker than a company where such an ethos is absent.

Employers' Perceptions of Older Workers

The Board survey listed thirteen frequently expressed perceptions of older workers compared with younger workers—seven unfavorable and six favorable. Respondents were requested to indicate whether they considered each perception to be "valid" or "not valid" (or at least questionable) as it applied to three broad occupational groups. The results are shown in Table 6.

Of the seven commonly held *negative* perceptions of older workers, the one that was judged valid by at least half of the respondents is that older workers "tend to be less flexible and more resistant to change." A relatively small proportion of respondents held that older workers in each of the three occupational groups "have more absences" or "tend to be less productive"—with one exception: A significantly larger percentage of the executives regarded older blue-collar workers to be less productive than younger ones. One explanation for the latter sentiment may be that many blue-collar jobs are physically arduous and older persons usually lose some physical stamina.

As for the positive perceptions, the three that were deemed valid by at least two thirds of the respondents were that older workers "have lower turnover rates,"

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"tend to have greater loyalty to the company," and "are more conscientious." Each of the other three favorable perceptions i.e., "have better judgment," "have fewer accidents," and "have better job morale" was considered valid by over one half of the respondents.

Differences Among Occupational Groups

Responses to eight of the perceptions did not show marked differences in judgments toward the three occupational groups. However, there were sizable variations for the five others (shaded items on the table). For each of the latter attributes—all of which deal with undesirable characteristics—the proportion of respondents who found it valid is largest vis-a-vis blue-collar workers, next for other white-collar workers, and lowest for managers, professionals and technicians. Although not many definitive conclusions can be reached on the basis of these findings, some speculative comments can be made. An unfavorable comparison of older workers with younger ones is more likely to be made for occupations that: (1) require physical strength or exertion; (2) are largely routine and tedious; (3) require little or no training; (4) have lesser educational requirements; (5) involve lesser responsibility.

Not all of the five (shaded) characteristics (Table 6) bear equally on the effectiveness or quality of performance of the three groups of employees. For example, creativity and keeping up with developments in one's field are traits that are more likely to affect the performance of managers, professionals and technicians than the performance of the other occupational groups. Hence, the fact that a larger proportion of the survey participants find these attributes to be less often possessed by older workers may be of marginal relevance in the performance of clerical and blue-collar workers. (For elaboration on the question of whether advancing age has a greater impact on the performance of some occupations than others, see pages 31–33.)

Age of Respondent

Does the age of the executives responding to the survey affect their perceptions of older workers? The findings show that respondents' age bears relatively little relationship to the way they view older workers vis-a-vis some characteristics, while it does seem to have some bearing for other characteristics (see Table 7, pages 19–20). Broadly, there is more agreement than disagreement among the respondents about how they regard older workers; furthermore, there is greater agreement among those of different ages about how they regard older managers, professionals, technicians and other white-collar workers than about how they perceive older blue-collar workers.

Assessment of older workers by senior human-resources executives who are less than 45 years of age are reasonably similar to those between 45 and 54 years old. Also, as a whole, the views of survey participants in the 55 to 61 range tend to resemble more closely their younger, rather than their older, counterparts.

Table 7: Percent of Respondents Judging Perceptions "Valid" by Age of Respondent

Perceptions of Older Workers Compared With Younger Workers	Managers, Professionals and Technicians — Age Group of Respondents			
	Under 45	45–54	55–61	62 or Over
Tend to be less flexible and more resistant to change	57%	48%	49%	47%
Are more conscientious	68	66	73	74
Tend to be less productive	8	3	5	0
Tend to have greater loyalty to company	90	89	87	90
Tend to be less creative*	29	21	27	11
Have fewer accidents	54	58	65	63
Are less likely to keep up with new developments in their fields	25	27	33	21
Have better job morale*	50	59	53	79
Take longer to train*	19	21	26	5
Have lower turnover rates	94	91	93	90
Tend to be more difficult to supervise	20	19	16	21
Have better judgment*	62	61	67	78
Have more absences	3	5	10	0

Perceptions of Older Workers Compared With Younger Workers	Other White-Collar Workers — Age Group of Respondents			
	Under 45	45–54	55–61	62 or Over
Tend to be less flexible and more resistant to change	61%	63%	58%	53%
Are more conscientious	71	68	74	63
Tend to be less productive*	14	7	10	0
Tend to have greater loyalty to company	90	86	87	84
Tend to be less creative*	40	35	38	16
Have fewer accidents	56	58	63	63
Are less likely to keep up with new developments in their fields*	53	54	43	32
Have better job morale*	46	51	49	68
Take longer to train	23	32	32	11
Have lower turnover rates	95	94	93	95
Tend to be more difficult to supervise	24	20	16	16
Have better judgment*	56	57	60	72
Have more absences	5	6	11	0

*See text, pages 18 and 20, for discussion of relationship of perception to age of respondent.

Table 7 (continued)

Perceptions of Older Workers Compared with Younger Workers	Blue-Collar Workers: Age Group of Respondents			
	Under 45	45–54	55–61	62 or Over
Tend to be less flexible and more resistant to change*	75%	68%	65%	50%
Are more conscientious	68	64	71	61
Tend to be less productive*	24	19	18	6
Tend to have greater loyalty to company	86	83	83	83
Tend to be less creative*	44	36	37	22
Have fewer accidents	59	56	71	72
Are less likely to keep up with new developments in their fields*	63	60	55	24
Have better job morale*	48	51	56	78
Take longer to train*	27	30	38	17
Have lower turnover rates	94	92	94	94
Tend to be more difficult to supervise	23	24	14	11
Have better judgment*	60	58	73	77
Have more absences	10	9	13	6

*See text, pages 18 and 20, for discussion of relationship of perception to age of respondent.

However, the responses to several of the perceptions reveal marked differences between respondents 62 or over and younger respondents. (See items marked with asterisks.)

The responses of the oldest age group show a considerably larger proportion of "valid" judgments of favorable perceptions (e.g., have better job morale and have better judgment) and a sizably smaller proportion of "valid" answers to unfavorable ones (e.g., tend to be less creative and take longer to train). This finding is, perhaps, not surprising. (It should be noted, however, that there were only 19 respondents in the age category 62 and over and thus their responses may not be statistically significant.)

For some of the thirteen perceptions, the extent to which they are consonant with reality, or the extent to which they exhibit biases and distortions, can be roughly evaluated. Data—mainly from the Bureau of Labor Statistics—show, for example, that older workers, on average, do have fewer accidents, fewer absences, and lower turnover rates than younger ones. This information is based on hard data. However, most of the other perceptions that appear on the list deal with nonquantifiable abstractions—so verifying whether or not they are valid is a far more delicate and complicated task. This is clearly an area where more research is needed. The information that we do have is largely anecdotal or outdated.

Monitoring Age Distribution of the Work Force

While many companies have begun to make periodic tabulations of the age distribution of their work forces, the majority of firms apparently still do not, judging from results of The Conference Board survey. Overall, 37 percent of the responding companies report having conducted an age audit of their employees. For virtually all of these companies (96 percent), the most recent audit was initiated within two years of this survey. In addition, one-third of the firms that did not have an age profile of their work force were able to offer estimates of the proportion of employees aged 55 to 64 and 65 and over. Hence, estimates for these two age groups were available for two-thirds of the participating companies.

Many management consultants specializing in older-worker issues urge companies to make age audits of their work forces primarily to remedy any imbalance that may exist, as well as to preclude distortions from developing in the future. Comparing a company's employee-age distribution with that of the total number of wage and salary workers in nonagricultural industries in the United States (available from the U.S. Bureau of Labor Statistics) can provide a rough indicator of whether the age composition of a company's work force is seriously skewed in any direction and, in particular, whether older workers are significantly underrepresented. Correcting the latter imbalance can be useful in averting age discrimination suits. (See below.)

An age audit may be simply a percentage distribution of the work force by age groups, or it may be combined with an analysis of a number of other staff characteristics such as sex, job category, average length of service, salary and educational level. (The Board did not ask whether the company's age audit went beyond purely age distribution of their employees by sex. Nearly three fourths of the survey's participants that had made age audits also had a breakdown by sex.) The larger the corporation, the more likely it is to have made an age analysis of its work force. Only 17 percent of participating firms with fewer than 1,000 employees had done an age audit since 1970, compared with 58 percent of those with 25,000 or more employees.

The Specter of Age Discrimination Litigation

It is difficult to determine whether age discrimination has in fact abated, remained relatively unchanged, or intensified since passage of the Age Discrimination in Employment Act (ADEA) of 1967 (as amended in 1978). Both the number of persons awarded damages and the size of the awards have risen dramatically since 1969 (the first year that ADEA was in effect). This may be a consequence of greater awareness of the provisions of ADEA plus a greater willingness to litigate rather than to a greater incidence of age discrimination.

An analysis of complaints shows there has been a marked shift during the past decade in the type of charges registered. Discharge or layoff comprised half of total age-discrimination charges in fiscal 1982 (last year for which data are

available). This compares with 6 percent in fiscal 1972, when illegal advertising (36 percent of total charges) and refusal to hire (27 percent of total) were the major issues. Of the complaints field in fiscal 1982, those two issues accounted for less than 1 percent and 10 percent, respectively.

Some observers believe that age discrimination, where it does exist, has become less flagrant, more subtle. It is exceedingly rare today for an employer to advertise for practically any employee, in any occupational group covered by ADEA, with the proviso that only those who do not exceed a specified age need apply.

To determine whether age was a consideration in the selection of a younger candidate over an older one is, of course, exceedingly hard. For example, when a company hires a 35-year old from a group of three dozen applicants ranging in age up to 60, or even older, was the decision based solely on fitness for the job? Were any of the older applicants whose salary requirements did not exceed those of the 35-year-old successful candidate rejected because they were regarded as "too old"?

Age discrimination is particularly insidious when it is practiced unconsciously and unwittingly. Well-intentioned people may harbor traces of prejudice about which they are largely unaware. Becoming cognizant of one's biases may be the first step toward eliminating discriminatory behavior—for age in the workplace or any other issue.

Programs to Upgrade Job Skills

Two-thirds of the companies indicate they have programs that enable employees to upgrade job-related knowledge and skills and to keep abreast of new information and techniques. Among those companies where such programs were available, tuition aid was offered by 62 percent, on the job training and development by 61 percent, and courses and seminars by 46 percent. Most of the companies (52 percent) had more than one type of program; 42 percent had a single program and 6 percent did not specify a type of program (Chart 3).

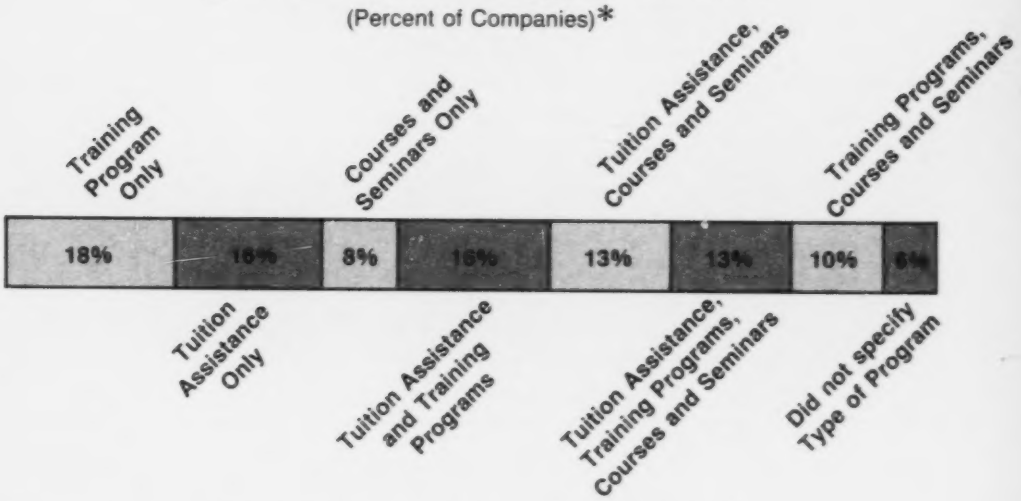
Tuition aid usually provided full reimbursement of tuition costs at accredited institutions—local universities, technical institutes and trade schools. However, in some instances, employers paid for only part of the cost (e.g., 50 percent of tuition). One company indicated that it paid up to 100 percent of tuition and fees but that the proportion of the reimbursement depended on grades received. Training and development, which embraces a wide variety of programs, may be embodied in a well-defined program or may be administered informally; it may be conducted in-house or at outside institutions. Courses and seminars may also be given in-house or outside. (For brief representative descriptions of skills upgrading programs, see box on pages 26–27.)

In reply to the questionnaire, half said employees aged 50 and over were as likely as others to avail themselves of such programs. The survey data show that firms with between 1,000 and 10,000 employees are somewhat less likely than others to have programs for upgrading skills (Chart 4). The proportion of companies reporting that workers 50+ are as likely to use such programs as those

Chart 3

Types of Programs to Upgrade Job Skills

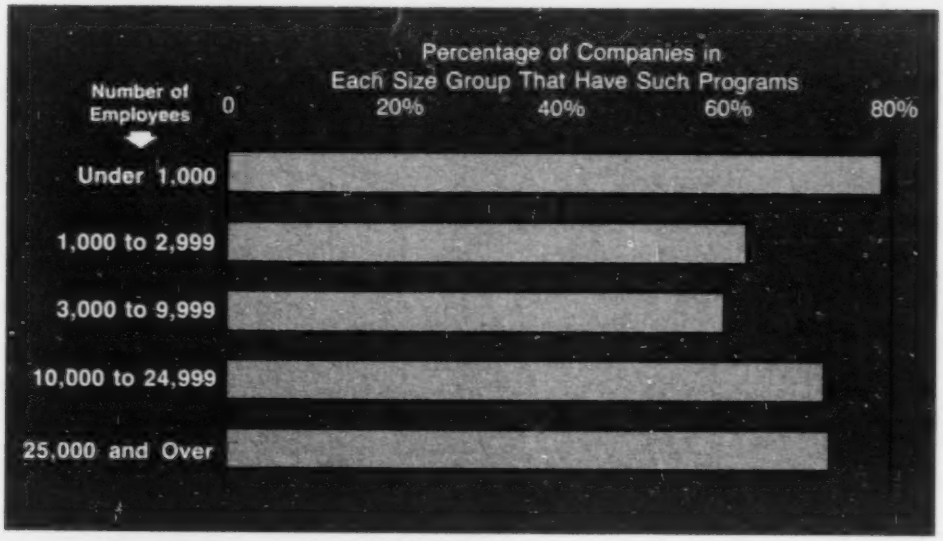
(Percent of Companies)*



* Percentages based on the total number (238) of companies with such programs.

Chart 4

Programs to Upgrade Job Skills, by Work-Force Size



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under 50 does not show especially wide variations by employment size, ranging from 42 percent to 58 percent. However, with one exception, the proportion seems to bear a positive relationship with employment size (Chart 5).

The proportion of companies with programs for upgrading skills was lowest for retail trade (53 percent) but ranged around the 70-percent mark for the other four broad industry groups. However, where such programs are available, they are much more likely to be used by older workers in retail trade than in the other industry groups (Chart 6). This may reflect the fact that older employees tend to have a substantially larger representation in retailing than in other types of businesses.

Organizations that have a relatively large share of older employees may place greater emphasis on retaining them and may, therefore, generally display more concern for them. Some observers believe that in such an environment persons aged 55 or even 60 are more likely to feel that they have at least a decade of work life ahead of them. Conversely, in companies where early retirement is widespread and where the proportion of persons aged 60 and over is comparatively small, those over 55 may receive quite a different message.

Respondents who had indicated that older employees were *not* as likely to participate in a program to upgrade skills were asked why, in their opinion, this was the case. Their replies fall into three primary categories that are not mutually exclusive.[1]

(1) Less ambitious for advancement (56 percent).

- *"Older employees tend to be more content with the status quo and are less motivated to study. There are older workers who do take advantage of available programs but they are exceptions."*
- *"There appears to be a greater desire to enjoy life. Older workers seem to have more noncareer interests. The career is less likely to be a paramount concern."*
- *"Many appear to be winding down and are not enthusiastic about taking on new responsibilities."*

(2) Older workers do not think further training is necessary (24 percent).

- *"They feel they have the skills and knowledge to perform satisfactorily at the present job and the job directly above."*

(3) There is less opportunity for advancement (15 percent).

- *"Limited promotion possibilities."*
- *"Less encouragement to develop."*
- *"They are ending their careers and have all the job-related knowledge needed."*

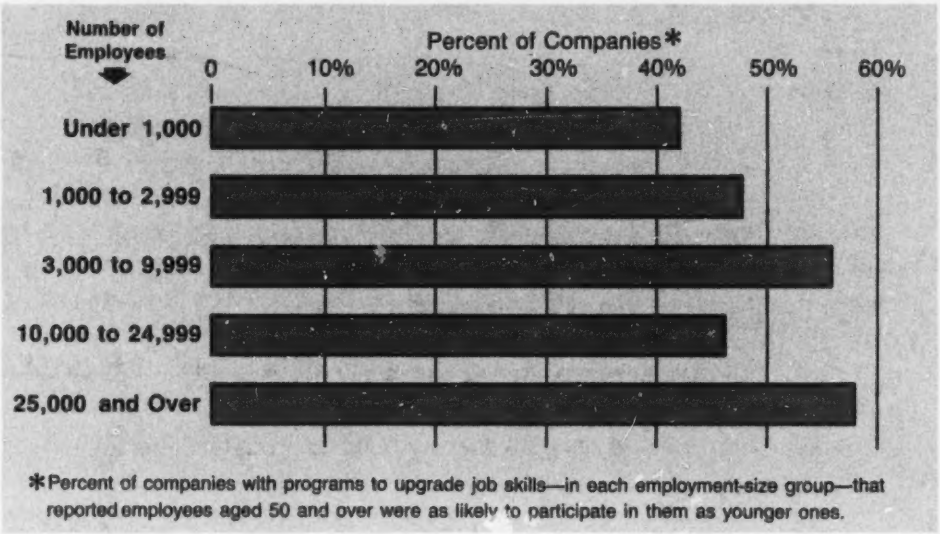
(4) Other reasons (11 percent).

- *"Less comfortable with change."*
- *"Less retentive memory creates anxiety about learning."*
- *"Their pride—the feeling that at their stage of work life they should not have to upgrade their skills."*

[1]The total of the percentages exceed 100 percent since some respondents suggested more than one explanation.

Chart 5

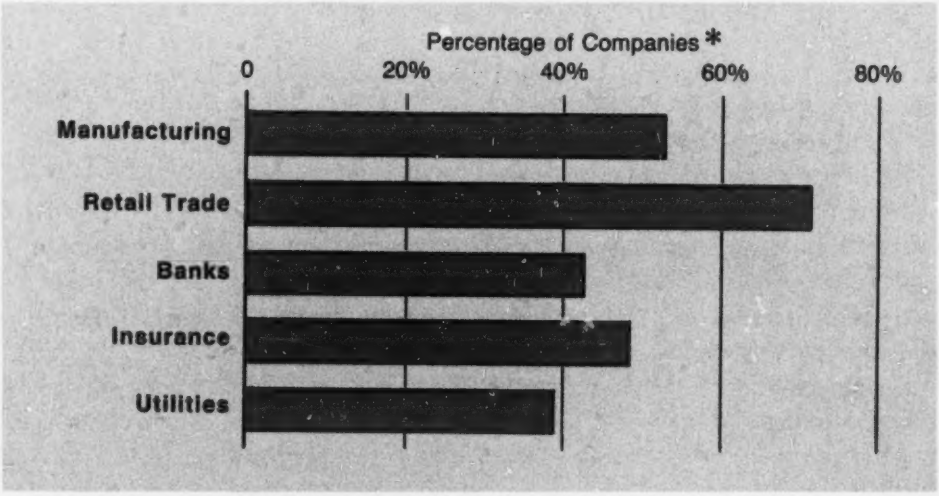
Likelihood of Older Workers Availing Themselves of Programs to Upgrade Job Skills, by Work-Force Size



*Percent of companies with programs to upgrade job skills—in each employment-size group—that reported employees aged 50 and over were as likely to participate in them as younger ones.

Chart 6

Likelihood of Older Workers Availing Themselves of Programs to Upgrade Job Skills, by Industry



* Percent of companies with programs to upgrade job skills—in each industry group—that reported employees aged 50 and over were as likely to participate in them as younger ones.

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Programs and Policies Relating to Skills Upgrading and Training

"The company's educational aid policy provides for reimbursement of up to 100 percent of the employee's tuition, books and fee expenses, provided the course of study is successfully completed and does not require a leave of absence."

—Vice President, Corporate Human Resources, Oil and Natural Gas Producer

"Technological change has been significant in the banking industry. We encourage employees to upgrade their knowledge and skills by providing various on-the-job learning opportunities. Banking probably relies on in-house training more heavily than other industries."

—Vice President, Director Human Resources, a Bank

"We have a formal training and development program through which employees can increase their effectiveness, improve job skills, and have self-development experiences, as well as forums to share experiences and learn from each other."

—Manager, Senior Worker Policies & Programs, Petroleum and Natural Gas Company

"In-house training programs including: computer management, associate involvement, supervisor's schools, listening strategies, management by objective, creative thinking, time management, effective writing, sales training, educational assistance, and home-study courses."

—Executive Vice President, Food Distribution Firm

Shifting to Less Demanding Jobs

More than two-thirds of the companies studied did not have programs that enable workers to shift to less demanding jobs as they get older. However, 14 percent did, while an additional 17 percent of the firms report that the opportunity for such transfers was available in their companies even though there were no explicit programs.

Two predominant job-shifting mechanisms were used—either job postings or transfer requests— and a small portion of the companies had both. Job bidding was the mechanism usually used for hourly employees. As many of the executives surveyed pointed out, job postings, transfer requests, and job bidding are not designed expressly for older workers but for workers of all ages. About a tenth of these companies did not, strictly speaking, have programs that gave older

"Hourly and salaried employees are covered by a tuition-aid program. Additionally, we maintain in-house "brown-bag" video training programs for voluntary use."

—Vice President, Personnel & Industrial Relations, Farm Vehicles and Machinery Producer

"We continually upgrade technical job skills with both in-house training and outside sources. It is not voluntary. We schedule training as part of work planning."

—Manager, Personnel, Electric Utility Company

"Not a formal program. For example, when a new computer system is installed, each employee has thorough training on the new system. Company policy is that no one is 'automated' out of a job."

—Training Director, Insurance Firm

"Beyond a great deal of emphasis on employee training and development, we have programs aimed specifically at reducing technological obsolescence and are instituting career-planning programs."

—Vice President, Personnel & Administration, High-Technology Company

"We offer inside and outside seminars—skill upgrading, coaching, training and classes, supervisory and presupervisory training programs, and community college night courses on the premises."

—Director, Industrial Relations, Furniture Manufacturer

workers access to "less demanding" jobs. Instead, a reduction in weekly hours is available to older employees who wish to lighten their work loads. This option can be viewed as a phased, or gradual, retirement rather than as an arrangement to move to a less stressful or trying job—or, in some cases, to a "fresher" intellectual assignment.

Among companies where older workers do have the chance to shift to alternative jobs, many report that older employees seldom avail themselves of such a choice—especially among salaried workers. A vice president of personnel for a durable goods manufacturer summarized the judgment of several respondents: "Salaried employees may request a position of less responsibility, but this rarely happens. Job bidding is available to hourly factory employees who, in their 50's and 60's, often do elect to shift from incentive-work jobs to day-work jobs that are less demanding." It appears that the opportunity for job change is taken

primarily by employees seeking to move to higher-paying jobs that tend to entail greater responsibility and effort, rather than by employees seeking less demanding jobs which usually command lower pay.

The majority of participating firms did not have programs enabling older employees to transfer to less demanding jobs. For many companies that did have such a program, it was not widely used. These findings suggest several possibilities: such programs have very limited appeal to older workers, they are not sufficiently tailored to the needs of older employees; their availability had not been sufficiently well communicated to older employees; or their use may be discouraged—tacitly or explicitly—by managers.

Older Workers and the Job Search: Prospects and Obstacles

While older workers (those aged 55 and over) are less likely than younger ones to lose their jobs, once unemployed they do tend to have greater difficulty than their younger counterparts in finding new employment. The executives were asked the open-ended question: "What, in your opinion, are the reasons for the unwillingness of many employers to hire older workers?"

Nine out of ten executives responded to this question, some with more than one explanation. Percentages appearing in parentheses show the proportion of the respondents who offered an explanation that was subsumed in that classification. (The sum of the percentages exceeds 100 percent since many of the respondents offered more than one reason.) The primary reasons cited were:[2]

(1) Older workers have a short career potential and, therefore, are not as good a human-resource investment as younger employees (45 percent).

A vice president of personnel at a utilities company stated: *"A substantial investment is made by the corporation when it hires workers (recruiting, hiring, training, etc.). The return on that investment is maximized by hiring younger workers who are more likely to remain with the company for a long time."* While this type of comment was common, some respondents disagreed with that perception. The following observation, by a human-resources executive at a large chemical company, epitomizes the views of those who disagreed: *"Many managers hold the belief that older new hires won't work long enough prior to retirement. In reality, they are probably more employment stable than younger new hires."*

(2) Older workers lack the energy, drive and motivation of younger workers and, consequently, do not perform as well (35 percent).

Some of the descriptive phrases used were:

- *"older workers have lower productivity";*
- *"employer's preoccupation with 'young blood' ";*
- *"emphasis on youthfulness in our culture";*

[2]It should be emphasized that these observations reflect the executives' *perceptions* and are not based on empirical data derived from intracompany studies of these issues.

•*"concern about 'burnout' in higher-level jobs";*

•*"misinformation or misguided perceptions about the ability and value of older workers."*

(3) Higher cost of employee benefits for older persons—health insurance, life insurance, and pensions (29 percent).

Some respondents specified higher costs for all three types of benefits, while others mentioned only one or two and still others simply reported higher cost of benefits.

The personnel director of a medium-sized diversified nonmanufacturing company said: *"Given a choice between equally qualified candidates, a 55-year old would be expected to cost the company a great deal more than a 35- or 40-year old."* This statement may overlap with category (5) below.

(4) Older workers are less flexible and less adaptable (22 percent).

Two of the specific observations offered are that older workers *"are less able to adjust to a new environment";* and, *"may bring preconceived ideas which interfere with training on a new job."*

(5) Higher salaries are usually commanded by older workers (18 percent).

A senior vice president of a capital goods company put it this way: *"Their salary expectations are too high compared with younger qualified applicants for a given job. It is unfortunate that too often people are not paid in accordance with their worth but rather for time on the job, and that sometimes works to the detriment of the older worker making a job change."*

(6) Older workers are greater health risks (12 percent).

As expressed by one respondent; *"older workers are more likely to have major illnesses and disabilities (heart attack, cancer, etc.) resulting in long absences."*

(7) Knowledge and skills obsolescence (8 percent).

In the words of a few respondents, older workers *"lack up-to-date education and skills—particularly in technical areas"; "are less likely to bring new technologies into the organization"; and "have not kept up with new developments."*

(8) Hiring older persons can block career paths of younger employees (7 percent).

The vice president of personnel of a supermarket chain expressed this view: *"Because of their experience, older workers usually apply for the better jobs but companies prefer to give these jobs to their promotable employees."* Another respondent said: *"The practice of promoting from within results in reluctance to hire experienced people from the outside."*

(9) Older workers who are job hunting may arouse suspicion about their competence (7 percent).

Here is a sampling of responses from this category:

•*"Why is this person changing jobs so late in his or her career? Something must be wrong."*

•*"Some managers may feel that they are getting the cast-off or reject of another company."*

•*"Concern that the older job seeker may be over the hill."*

(10) A sample of "miscellaneous" comments, offered by 10 percent of the respondents, appears below. The first two are typical of those suggested by at least a half dozen respondents, while each of the remaining is representative of those mentioned by two or more respondents:

- *"It is perfectly natural for people to prefer subordinates who are younger than they (it tends to reinforce the authority-wisdom stature of the boss). Therefore, managers who hire older people, who may be wiser and perhaps better qualified than they are, have to be extremely self-confident and secure."*
- *"Risk of an age-discrimination suit if employee does not work out and has to be terminated."*
- *"Need to retrain to a new culture."*
- *"Older workers have acquired habits, experiences and practices that are frequently not compatible with a new environment."*
- *"Older workers lack self-confidence and job-search skills."*
- *"Overqualified for available positions."*

In reply to the question of why many employers showed an unwillingess to hire older workers, the personnel director of a large department store wrote: "Do not know—we love 'em."

From the way the responses of the study's participants were phrased, it is fair to conclude that many were expressing reasons for their own unwillingness or hesitation to hire workers aged 55 and over. However, many others made it clear that they were offering explanations that they did not share but of which they were aware.

Impact of Promotion from Within

Many employers prefer to fill job openings, whenever possible,through promotion from within the company. This is regarded as advantageous to the employed older worker, but is also a source of concern among those who believe that such a practice constricts employment opportunities of older job hunters.

Two-thirds of the executives surveyed were of the opinion that promotion from within presented a significant impediment to the hiring of older workers; one-third did not think so. Respondents were asked to make any comments they wished regarding their replies. Among those who considered internal promotion a barrier, the most common observation is summed up by the vice president of personnel at a large food products company: "Promotion from within often sets off a chain reaction of promotions. This leaves the lower-level jobs to be filled from outside. Older, experienced workers are often over-qualified for these lower-level jobs." The human-resources director of an electrical machinery company said that such a practice "affects older workers looking for management and professional jobs more than those who are applying for hourly and clerical work."

Many executives went on to say that while a company's practice of internal promotion may restrict new hires of older workers, it enhances advancement opportunities of the company's own older employees. For example, the vice president of personnel of a diversified food company made this observation: "Any

restrictions in hiring opportunities are balanced by promotion opportunities and retention of older workers." The great majority regarded promotion from within as a healthy practice that improves morale by fostering development of employees for better positions within the organization. A sampling of their statements follows:

- *"Advancement from within is preferable to any age new hire."*
  —Senior Vice President of a retail chain.
- *"Outsiders, old or young, should not get preference over qualified employees within a company."*
  —Group Vice President of Administration at a utilities company.
- *"The manager who does not promote from within is either not showing good judgment or has done a poor job of training and developing his or her staff."*
  —Senior Vice President of a bank.

These executives implied, and others explicitly stated, that the only justification for hiring someone from outside the company was to fill a vacancy requiring a particular skill or expertise that was not already available in the company's own work force.

A few managers expressed the opinion that promoting from within is more likely to eliminate or sharply limit outside hires of managers, professionals and the like in companies with a static or declining number of employees than in companies that are expanding. This view is summarized in the statement of a senior vice president of human resources at one high-tech company: "In a 'no growth' environment, promotion from within does seriously reduce the hiring of older workers. However, in a growing company, where experience is needed 'now,' this is not true."

Among those respondents who did not think that such a policy constituted an impediment for older workers looking for a job, a frequent comment was that it affected younger workers looking for employment as well as older ones. Illustrative of this view is the statement of the vice president of personnel for an insurance company: "There will still be many openings for experienced older people. Diminished opportunities resulting from a posting program should affect new hires of all age groups, assuming equal technical skills." Several others echoed the opinion of a vice president of human resources at a publishing company: "When it is necessary to go outside for seasoned expertise, age can be an advantage."

Job Performance and the Older Worker

It is claimed that in some occupations the performance of workers tends to decline with advancing age. There is little argument that older workers, in their 50's or older, whose jobs require considerable physical stamina and exertion usually do not perform equally as well as they had when they were younger. Also, some employers claim that employees in occupations where the generation of new ideas is a salient requirement (research scientists, for example) tend to be less creative by age 50 or 55 than they had been 10 or 20 years earlier.

Table 8: Performance of Older Workers as Viewed by Respondents

Age of Respondent	The Performance of Some Categories of Workers Declines with Age[1]	
	Agree	Disagree
Under 45	17%	83%
45 to 54	12	88
55 to 61	10	90
62 or Over	10	90

[1]The question was: "Is it your observation that the performance of workers in certain occupations or occupational categories tends to peak at a relatively young age (e.g., 35 or 40), so that such workers are usually significantly less productive in their 50's than they had been 10 or 20 years earlier?"

The survey respondents saw things differently. When they were asked whether they had observed that the performance of workers in certain occupations tended to peak at a relatively early age—perhaps 35 or 40—and that by the time such workers reach their 50's, they usually have become significantly less productive, the vast majority did not agree. Nearly nine out of ten replied that they had *not* observed such a decline. Moreover, the age of the respondent did not appear to have a marked impact on the answer to this question. Replies were remarkably consistent for the three older age groups. However, the respondents under 45 were somewhat more likely than their older counterparts to have observed declines in performance of older workers in some occupations (Table 8).

The 13 percent (45 of the 363 respondents) who *had* noted a slackening in performance were asked in which occupations or occupational groups this was most likely to occur. Over 60 percent of these 45 respondents mentioned occupations that involved substantial physical exertion. Two sample remarks are:

"Pole climbing linemen—very few people at 55 have retained the physical strength and agility to do this work that they had at 35."

—Personnel Director at a utilities company

"The pace, and therefore the output, of production and maintenance workers seems to slow down by the mid 50's, but we have no empirical data to prove this."

—Vice President, manufacturer of industrial chemicals

Others mentioned older workers in highly technical occupations characterized by rapid technological advances. An example of these comments: *"Engineering—with technology advancing so rapidly, it is virtually impossible for persons to stay abreast of the changing environment. Because of this rapid change, to avoid stagnating, engineers usually have to move out of the 'doing' phase and into the 'managing' phase by age 35–40."*

—Director, Management Development and Personnel at a company manufacturing heavy industrial machinery

Two additional categories cited were sales personnel and persons in middle management jobs. Further, a few respondents said that a decline in performance apparent in some older workers was not related to job responsibilities but was an individual manifestation that cut across occupational categories. *"It isn't a matter of the kind of occupation; it is a matter of the kind of individual. Deterioration occurs in some people as they get older, regardless of occupation. Others never slow down—even in their 70's."*

—Director of Personnel at a retail chain

It should be emphasized that executives were asked to specify occupations in which they believe that performance of older workers *tends* to decline. Even in those jobs where this tendency exists, there are varying proportions of workers who defy it. The vice president of personnel of an insurance company noted that a decline in performance was likely to occur in "production and technical areas. This is, of course, a general observation. We've seen notable exceptions."

Three-fifths of the 45 managers who found a decline in work performance said that it did *not* present a problem. The two-fifths who said it *did* were asked to describe the nature of the problem. The most frequently expressed complaint was that it increased costs—either "by requiring a higher staff count than necessary" or by making it "more difficult to institute constructive change." Other problems mentioned were:

- *"Lowered productivity placed a burden on other employees who had to pick up the slack."*
- *"Finding appropriate jobs for long-term employees who no longer were able to perform strenuous duties."*
- *"Meeting production schedules since older workers were often less able, or less willing, to work long hours."*
- *"Finding effective ways to motivate those older managers who start to coast and become less innovative."*

Of the 13 percent of the human-resources executives who perceived a decline in the performance of older workers, half (7 percent of total respondents) found such declines only among workers engaged in heavy physical work. Furthermore, three-fifths of the respondents who did perceive any decline in performance did not regard this phenomenon as presenting a problem. Of those who did find it a problem, nearly half (6 percent of total respondents) said progress had been made toward its solution through job shifts, job sharing, retraining, management-development programs, quality circles, and early retirement incentives.

Looking Ahead

Many industrial gerontologists have been predicting that older workers will constitute a growing share in the nation's work force during the remainder of the 1980's and through the rest of the 20th century. This expectation is based on the reality that the baby-boom generation has been virtually completely absorbed into

the labor market. Therefore, they reason, additions to the work force for at least the next 15 or 20 years will be smaller than they had been from the mid-1960's to early 1980's.

As a concomitant of a slower growing labor supply, it is expected that a premium will be placed on the retention of more older workers—and, perhaps, even on the reemployment of retirees. Specifically, those who are forecasting a heightened demand for older workers during the decades ahead foresee early-retirement inducements giving way to later-retirement inducements.

Whether such a scenario will emerge is problematical. A slowing in the rate of increase in the labor force (caused by smaller numbers of new young entrants) does not necessarily mean that older workers will be more highly valued. Is it not possible that sizable economic growth could be achieved even if the labor force expands more slowly than it had in the 1960's and 1970's? This would, of course, be attainable if productivity in the years ahead were to make a significant advance from the sluggish rates of growth exhibited in the past decade and a half.

Another plausible development that would contradict forecasts of greater demand for older workers is the impact of the maturing of the baby-boom generation. In the next 15 or 20 years, as more and more baby boomers reach their middle 30's and 40's, the competition for high-level jobs can be expected to escalate as this very large cohort strives to move into industry's upper-echelon positions being vacated by a much smaller cohort. Consequently, some argue, management is likely to place a high priority on promoting talented middle-aged employees rather than risking their leaving for greener pastures if their upward mobility is thwarted. Under those circumstances, employers may have strong motivation to retain, rather than relinquish, current policies of encouraging early retirement.

Whether industry continues to emphasize incentives for early—rather than later—retirement will ultimately depend largely on the state of the economy in the years ahead. Vigorous growth in demand for goods and services, translated into strong demand for workers, would certainly create a climate more conducive to the encouragement of extending years of labor-force participation. A slack economy with high unemployment rates could hardly be expected to engender strong interest in discouraging older workers from leaving the labor force.

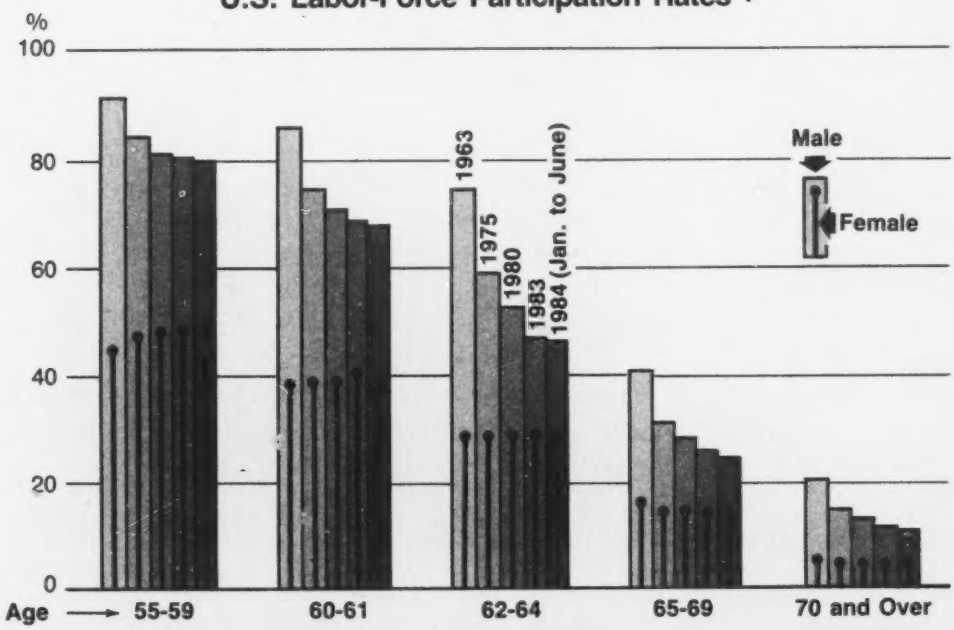
Appendix

Age and the U.S. Labor Force

While the steady trend toward early retirement—in progress for the past quarter century—has slowed somewhat in recent years, there is still no evidence that it has been reversed or even reached a plateau (Chart 1). The direction this trend takes in the years ahead will doubtless have an important impact on social-security and pension costs as well as on the size and composition of the U.S. work force.

Chart 1

U.S. Labor-Force Participation Rates *



*The labor-force participation rate is the proportion of the population outside of institutions that is in the labor force. For example, the participation rate of 26 percent for males aged 65 to 69 in 1983 means that 26 out of every 100 noninstitutionalized males in that age group were either employed or looking for work.

Source: U.S. Bureau of Labor Statistics

Older Men in the Labor Force

Not only has retirement of men in their late 50's and early 60's been increasingly evident, but labor-force participation rates for men 65 and over have also been receding dramatically—not only since the early 1960's, but even since the late 1940's. Today only 16.3 out of every 100 men aged 65 and older are in the labor force compared with 47.8 out of every 100 in 1947, according to Bureau of Labor Statistics data.[1] At the same time, the proportion of employed men, aged 65 and over, who work part time has grown in the past two decades—from about one-third in 1963 to nearly one-half in 1983. Although data are not available for 1947, the percentage of employed men, aged 65 and over, who worked part time was probably even smaller than in 1963. Thus, the steep decline since the late 1940's in the labor-force participation rates of men aged 65 and over was accompanied by a sizable down-drift in the proportion who work full time. Out of every 100 males aged 65 and older in the U.S. population, about 35 worked full time in 1947, compared with about 8 in 1984.

Older Women in the Labor Force

Labor-force participation rates for women between 16 and 54 years of age have risen impressively during the last four decades. For those in the 55 to 64 age group, participation rates also rose since the early 1940's but peaked in the late 1960's, when there were 43.1 women in the labor force for every 100 in the population. In the past 15 years, there has been relatively little change—in the first half of 1984, the participation rate was 41.7.

Labor force participation rates of women aged 65 and over reached their record highs between the mid-1950's and early 1960's, when they ranged between 10.2 and 10.9 women in the labor force for every 100 women in the population. The rate has since drifted downward to 7.5 in the first half of 1984.

Women are also increasingly choosing early retirement. While the share of older women who work is still substantially lower than that of older men, the proportion who retire early is even somewhat higher than for men. Of the newly entitled beneficiaries of social security retired-worker benefits in 1980 (latest year for which such data are now available), 76 percent of the women and 70 percent of the men received reduced benefits for early retirement. These rates compare with 70 percent and 60 percent, respectively, for 1970.

Early-Retirement Trends Among Surveyed Companies

Two-thirds of the respondents in The Conference Board survey reported a trend toward early retirement in their companies during the past two decades—17 percent characterize the trend as "strong," 25 percent as "moderate," and 26

[1]Bureau of Labor Statistics, *Handbook of Labor Statistics, 1978, Bulletin 2000*, and February through June, 1984, monthly issues of *Employment and Earnings.*

Chart 2

Trend Toward Early Retirement in Past Two Decades, by Trend Toward Retirement in Past Five Years

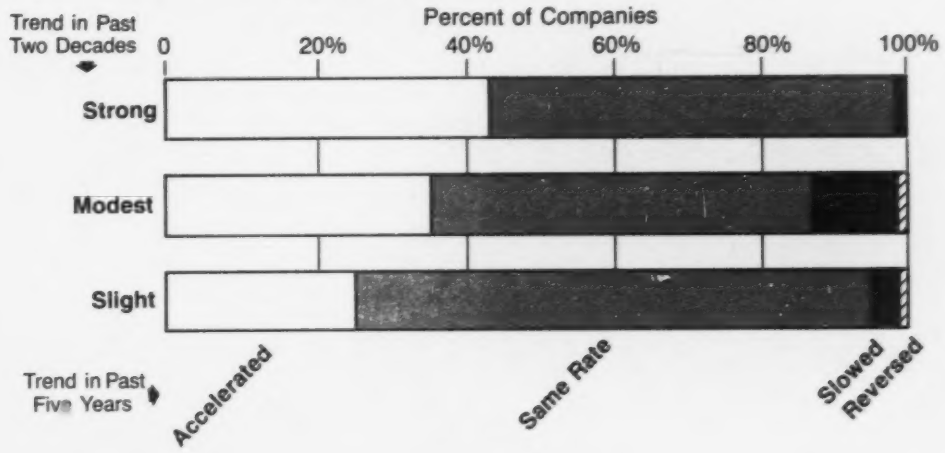
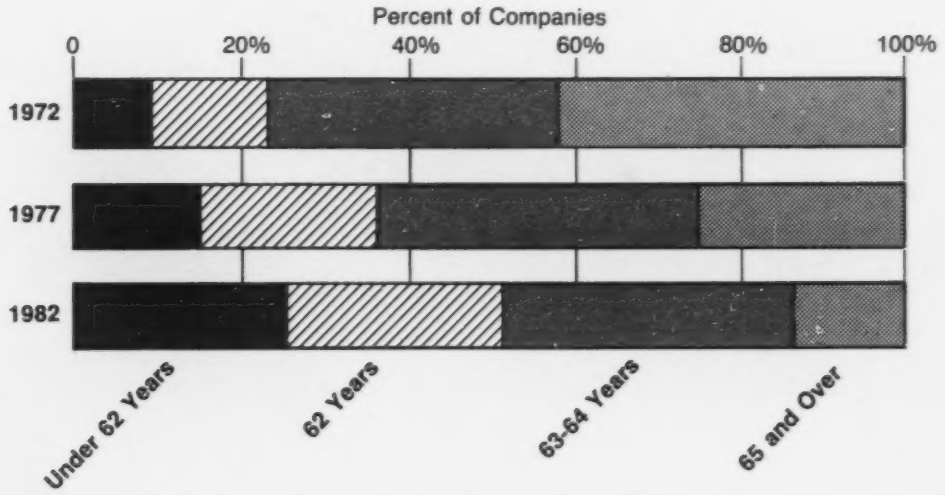


Chart 3

Average Age at Retirement: 1972, 1977, 1982



percent as "slight." Among the companies reporting such a trend, the view of the vast majority of executives questioned is that the trend had either accelerated or was maintained at about the same rate in the past five years. Only a small minority report that it had slowed; fewer than 1 percent note a reversal of this trend (Chart 2).

An average retirement age of 62 or less in 1982 was reported by 51 percent of the surveyed firms, compared with 23 percent in 1972 (Chart 3). Over the

same ten-year interval, the proportion of firms with an average retirement age of 65 or older dropped to 14 percent in 1982 from 42 percent in 1972.

On the basis of this survey, it appears that a reversal of the 25-year trend toward early retirement is not imminent. The current policies and practices of the vast majority of corporations participating in the Board's survey continue to encourage early retirement. Efforts to discourage older workers from retiring before age 65, or to encourage them to postpone retirement beyond age 65, are exceedingly rare. (See pages 1 to 6.)

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